



Horwath HTL

Hotel, Tourism and Leisure

MARKET REPORT

New Zealand:

Hotel Market Snapshot

FEBRUARY 2021



Milford Lodge Resort, Fiordland National Park



Skyline Restaurant overlooking Queenstown

Border closure takes its toll on hotels not in the government's quarantine programme.

Most hotels located in New Zealand's major tourism centres, which are not used by the government as a Managed Isolation or Quarantine facility (MIQ), continue to experience unsustainable revenue shortfalls since the last lock-down in August 2020, despite a domestic tourism boom and improved economic conditions.

Hotel owners of non-MIQ hotels in the country's key markets struggle to break even after all operational expenses, despite the toughest cost reduction ever implemented. With the domestic summer holiday season coming to an end, many will face extreme financial stress unless borders open to international visitors or they receive more financial support. Westland, is reportedly already facing several hotel closures.

Financial pressure is most severe for owners of hotels in Queenstown, Fiordland and Westland where there are no MIQ facilities. Average monthly RevPAR in Queenstown during the period October 2020 to January 2021 has declined by 67% compared to the same period pre-pandemic.

During the peak holiday months of December and January, Queenstown hotel occupancies averaged just 40%, compared to 88% in recent years. Hotels in Fiordland and Westland which heavily rely on international tourists have seen similar or worse RevPAR declines.

Auckland's average monthly occupancies for non-MIQ hotels reached 50% for the period, compared to 85% the year before, assisted by MIQ hotels reducing the available room supply by circa 30%.



Source: Hotel Data New Zealand (HDNZ)

Wellington: No data available for non-MIQ hotels



Rotorua, Geyser & Mud Pools.

While forward bookings for the America's Cup in March look promising, demand during the qualifying events has been soft so far, with only hotels close to Auckland's waterfront reporting strong occupancies, and those mainly during weekends. Nevertheless, ADR in non-MIQ hotels has been holding up reasonably well, partly due to the rational pricing of newly opened hotels.

Following the opening of five new hotels throughout 2020 and an expected three hotels this year, we expect the next 12 months to continue to be very challenging for Auckland's non-MIQ hotels.

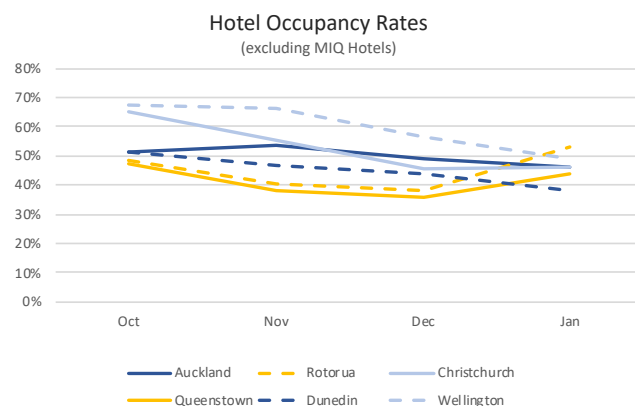
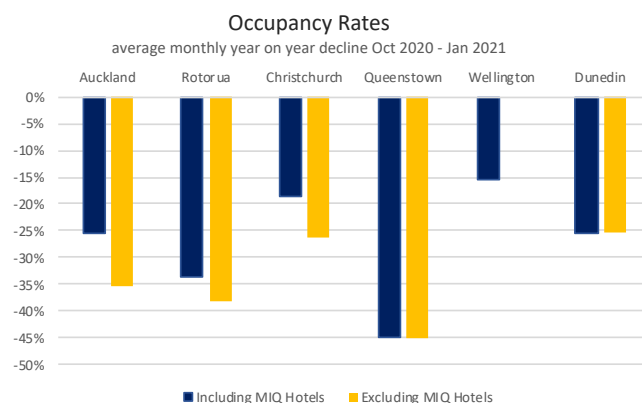
Wellington hotels have had the benefit from a traditionally greater share of domestic and government business, with a less dramatic RevPAR decline of 33%, including two relatively small MIQ facilities.

RevPAR for non-MIQ hotels in Christchurch and Rotorua declined by 46% despite circa 40% of major hotel supply being used as MIQ facilities, reducing market supply. Rotorua is the only key centre where the ADR has been little affected which has been the result of the absence of lower yielding business from Asia and some of the lower-rated hotels being used as MIQ facilities.

City hotel operators report a somewhat slower than expected recovery of domestic business travel, but there are some good signs of returning meetings business – although groups are small and lead times short.

Additional supply increases, much of which was promoted by the government over the past five years, will put additional pressure on occupancies and room rates in some major markets in the medium term.

Contrary to the major tourist centres, several regional accommodation providers have reported occupancies to be on-par or above the same period last year. Many New Zealanders have escaped or avoided the cities during the holiday season, responding to the government's domestic tourism campaign to ["Do Something New, New Zealand"](#).



Source: Hotel Data New Zealand (HDNZ)

Wellington: No data available for non-MIQ hotels

*Chatham Island*

The traditional Kiwi summer holiday beach and lake hotspots have done well with visitor numbers equal or greater than usual. According to Tourism New Zealand, the country's islands have been booming with Stewart Island, the Chatham Islands and Great Barrier Island all seeing record numbers of visitors.

The government's top priority is to keep New Zealand safe and, according to the prime minister, the borders are likely to remain closed beyond Australia and the Pacific for much if not all of the year.

Hotel owners and operators keenly await the start of the much-awaited Trans-Tasman travel bubble with Australia where, according to TNZ, 2.3 million residents are considering visiting New Zealand in the first six months of travel restrictions being lifted. A travel bubble may also include Pacific Islands such as Fiji, the Cook Islands and Vanuatu.

If 80% of these potential travellers in Australia travel to New Zealand in 2021, we estimate such a bubble could boost this year's hotel occupancies in key markets by around 10 percentage points, after taking into consideration the impact of New Zealanders travelling to Australia and the Pacific Islands.

*Stewart Island*

Such increases may not only save several hotels from extreme financial distress or closure, it will also create some much needed relief for the many people employed in the tourism industry in New Zealand.

By the time the borders are open to all key source markets, and visitors are flowing freely again, we expect that New Zealand will benefit from an enhanced reputation.

New hotel supply in key centres and improved tourism infrastructure will have removed many of the previous bottlenecks, allowing for an even better visitor experience and higher visitor spend. This will greatly contribute to securing a healthy industry and investment climate.

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Stephen established Horwath HTL in New Zealand in 2002. With thirty five years consulting experience in the New Zealand tourism industry, Stephen has also undertaken engagements in Australia, Fiji and the Pacific Islands. Stephen assists lenders, investors, funding sponsors, and purchasers/developers in both the public and private sectors, with the ability to quickly ascertain what financial and market analysis or research will be of most benefit. Stephen's service lines include market demand analysis, financial feasibility analysis, market research, economic impact analysis and strategy development.



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Wim joined Horwath HTL in 2016. He is a senior hotel executive with over 28 years' experience in financial leadership and general management positions in international hotels and resorts. Prior to joining Horwath, Wim was Area General Manager responsible for the Intercontinental Hotels Group (IHG) portfolio in New Zealand.

He specialises in hotel asset management, market demand, supply and feasibility analysis and has worked with a wide variety of owners and investors, from high net worth individuals, to institutional owners and private equity funds. His extensive international experience includes hotel management roles in Australasia, Europe, USA, China, Japan and the Caribbean

Horwath HTL

At Horwath HTL, our focus is one hundred percent on hotel, tourism and leisure consulting. Our services cover every aspect of hotel real estate, tourism and leisure development.

Our clients choose us because we have earned a reputation for impartial advice that will often mean the difference between failure and success. Each project we help is different, so we need all of the experience we have gained over our 100-year history.

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